

SECURITIES DIVISION
OFFICE OF THE SECRETARY OF STATE
STATE OF INDIANA

IN THE MATTER OF:

ORDER NO. 97-0091 AO

ORDER REGARDING BROKER-DEALER
AND INVESTMENT ADVISER ACTIVITY
ON THE INTERNET.

FILED
JUN 18 1997

WHEREAS, the Securities Commissioner is charged with the administration of the Indiana Securities Act, IC 23-2-1 (the "Act"); and

WHEREAS, IC 23-2-1-15 provides that the Securities Commissioner may adopt rules, orders and forms as necessary to carry out the provisions of the Act; and

WHEREAS, IC 23-2-1-8 provides that it is unlawful for any person to transact business in Indiana as a broker-dealer or agent unless the person is registered under the Act; and

WHEREAS, IC 23-2-1-8 further provides that it is unlawful for any person to transact business in Indiana as an investment adviser or an investment adviser representative unless the person is registered under the Act; and

WHEREAS, the Securities Commissioner acknowledges that the Internet, the World Wide Web, and similar proprietary or common carrier electronic systems (collectively, the "Internet") have facilitated greatly the ability of broker-dealers, investment advisers, broker-dealer agents and investment adviser agents/representatives to advertise and otherwise disseminate information on products and services to prospective customers and clients; and

WHEREAS, the Securities Commissioner also acknowledges that certain communications made on the Internet are directed generally to anyone having access to the Internet and may be transmitted through postings on Bulletin Boards, displays on "Home Pages" or similar methods (hereinafter, "Internet Communications"); and

WHEREAS, the Securities Commissioner further acknowledges that in certain instances, by distributing information on available products and services through Internet Communications available to persons in this state, broker-dealers, investment advisers, their broker-dealer agents and their investment adviser agents/representatives could be construed as "transacting business" for purposes of the Act so as to require registration in this state, since the Internet Communications would be received in this state regardless of the intent of the person originating such communication; and

WHEREAS, the Securities Commissioner finds that the issuance of this Order is necessary and appropriate in the public interest and for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of the Act;

NOW THEREFORE, IT IS HEREBY ORDERED as follows:

1. Broker-dealers, investment advisers, broker-dealer agents (hereinafter "BD agents") and investment adviser agents/representatives (hereinafter "IA reps") who use the Internet, the World Wide Web, and similar proprietary or common carrier electronic systems (collectively, hereinafter the "Internet") to distribute information on available products and services through certain communications made on the Internet directed generally to anyone having access to the Internet, and transmitted through postings on Bulletin Boards, displays on "Home Pages" or similar methods (hereinafter, "Internet Communications") shall not be deemed to be "transacting business" in this state based solely on that fact if the following conditions are observed:
 - A. The Internet Communication contains a legend in which it is clearly stated that
 - (1) the broker-dealer, investment adviser, BD agent or IA rep in question may only transact business in this state if first registered, excluded or exempted from state broker-dealer, investment adviser, BD agent or IA rep registration requirements, as may be; and
 - (2) follow-up, individualized responses to persons in this state by such broker-dealer, investment adviser, BD agent or IA rep that involve either the effecting or attempting to effect transactions in securities, or the rendering of personalized investment advice for compensation, as may be, will not be made absent compliance with state broker-dealer, investment adviser, BD agent or IA rep registration requirements, or an applicable exemption or exclusion;
 - B. The Internet Communication contains a mechanism, including and without limitation, technical "firewalls" or other implemented policies and procedures, designed reasonably to ensure that prior to any subsequent, direct communication with prospective customers or clients in this state, said broker-dealer, investment adviser, BD agent or IA rep is first registered in this state or qualifies for an exemption or exclusion from such requirement. Nothing in this paragraph shall be construed to relieve a state registered broker-dealer, investment adviser, BD agent or IA rep from any applicable securities registration requirement in this state;
 - C. The Internet Communication does not involve either effecting or attempting to effect transactions in securities, or the rendering of personalized investment advice for compensation, as may be, in this state over the Internet, but is limited to the dissemination of general information on products and services; and

D. In the case of a BD agent or IA rep:

- (1) the affiliation with the broker-dealer or investment adviser of the BD agent or IA rep is prominently disclosed within the Internet Communication;
 - (2) the broker-dealer or investment adviser with whom the BD agent or IA rep is associate retains responsibility for reviewing and approving the content of any Internet Communication by a BD agent or IA rep;
 - (3) the broker-dealer or investment adviser with whom the BD agent or IA rep is associated first authorizes the distribution of information on the particular products and services through the Internet Communication; and
 - (4) in disseminating information though the Internet Communication, the BD agent or IA rep acts within the scope of the authority granted by the broker-dealer or investment adviser;
2. The position expressed in this Order extends to state broker-dealer, investment adviser, BD agent and IA rep registration requirements only, and does not excuse compliance with applicable securities registration, antifraud or related provisions;
 3. Nothing in this Order shall be construed to affect the activities of any broker-dealer, investment adviser, BD agent and IA rep engaged in business in this state that is not subject to the jurisdiction of the Indiana Securities Division as a result of the National Securities Markets Improvements Act of 1996, as amended; and
 4. This Order shall remain in effect unless and until subsequently amended, modified or rescinded.

APPROVED AND ORDERED this 18th day of June, 1997.

SUE ANNE GILROY
Secretary of State



BRADLEY W. SKOLNIK
Indiana Securities Commissioner

